

DISCLOSURE OF COMMUNICATIONS

CURRENT LAW

	REQUIREMENTS UNDER CURRENT LAW	SCENARIOS REQUIRING DISCLOSURE
COMMUNICATIONS ABOUT INVESTMENT TRANSACTIONS	<p>CONVERSATIONS COVERED:</p> <ul style="list-style-type: none"> • Communications between a financially interested party and a board member • Concerning any matter relating to a prospective investment transaction or its evaluation where the investment transaction requires approval by the Investment Committee • During the evaluation of the prospective investment transaction. <p>DISCLOSURES REQUIRED:</p> <ul style="list-style-type: none"> • The financially interested party must disclose the content of the communication in a writing addressed and submitted to the CEO and the board prior to the board's action on the prospective transaction. • The board member must disclose the communication to the CEO and the board, prior to the board's action on the prospective transaction. • The communications disclosed shall be made public either at the open meeting of the board in which the transaction is considered or if in closed session, upon public disclosure of any closed session votes concerning the investment transaction. • CalPERS Policy provides that the evaluation period for a prospective investment transaction begins when the transaction is listed in the monthly activity report prepared 	<p>Investment Manager calls Board Member and tells Board Member about the Investment Manager's business and desire to do business with CalPERS in the future.</p> <p><i>Disclose?</i> No, the conversation does not relate to a prospective investment transaction.</p> <p style="text-align: center;">* * * * *</p> <p>Investment Manager calls Board Member to discuss a transaction that is being considered by the CIO. The transaction appears on the monthly activity report, but because it is within the CIO's delegated authority and Board approval is not required, the transaction will not appear on the Investment Committee agenda for action.</p> <p><i>Disclose?</i> No, the disclosure requirements apply only to investment transactions that require approval of the Board.</p> <p style="text-align: center;">* * * * *</p> <p>Investment Manager calls Board Member to discuss an investment opportunity that has been presented to the CIO. The transaction will require Investment Committee approval and it is listed in the monthly activity report.</p> <p><i>Disclose?</i> Yes, the Board Member must disclose the communication when the</p>

	REQUIREMENTS UNDER CURRENT LAW	SCENARIOS REQUIRING DISCLOSURE
	<p>for the Investment Committee and ends when the transaction is approved or rejected. Disclosure is required when the transaction appears on the Investment Committee agenda for action.</p> <p>EXCEPTIONS:</p> <ul style="list-style-type: none"> • Communications that are part of a noticed board meeting • Communications that are incidental, exclusively social, and do not involve the system or its business, or the board or staff member's role as a system official • Communications that do not involve the system or its business and that are within the scope of the board member's or staff member's private business or public office wholly unrelated to the system. • Requirements do not apply to transactions where authority to approve the transaction has been delegated to staff. 	<p>transaction appears on the Investment Committee agenda for action. The financially interested party must also disclose.</p>
COMMUNICATIONS ABOUT VENDOR CONTRACTS	<p>CONVERSATIONS COVERED:</p> <ul style="list-style-type: none"> • Communications between a party financially interested in a contract and a board member or CalPERS staff member • Concerning any matter relating to the contract or selection process • During the process leading to the award of any contract by the System <p>EXCEPTIONS:</p> <ul style="list-style-type: none"> • Communications that are part of the process expressly described in the RFP • Communications that are part of a noticed board meeting 	<p>Not applicable. The law does not require disclosure by anyone; instead law provides that any applicant or bidder who knowingly participated in a prohibited communication shall be disqualified.</p>

	REQUIREMENTS UNDER CURRENT LAW	SCENARIOS REQUIRING DISCLOSURE
	<ul style="list-style-type: none"> • Communications that are incidental, exclusively social, and do not involve the system or its business, or the board or staff member's role as a system official • Communications that do not involve the system or its business and that are within the scope of the board member's or staff member's private business or public office wholly unrelated to the system. <p>CONSEQUENCES: Law does not require disclosure; instead law provides that any applicant or bidder who knowingly participated in a prohibited communication shall be disqualified.</p>	

DISCLOSURE OF COMMUNICATIONS

PROPOSED POLICY Investment Transactions

	PROPOSED POLICY	CALSTRS ADOPTED POLICY	DISCLOSURE SCENARIOS
COMMUNICATIONS BETWEEN BOARD MEMBERS AND FINANCIALLY INTERESTED PARTIES -- Investment Transactions That Are Approved by the Investment Committee	Same as current law EXCEPT disclosure is made to the General Counsel in addition to the Board and the CEO.	<p>Same as CalPERS proposed policy EXCEPT that CalSTRS has added an exception to the disclosure obligation for "communications that are general in nature and content, such as: (1) those with regard either to the nature of the party's business or interests or with regard to public information regarding CalSTRS; (2) a simple expression of the party's interest generally in doing business with CalSTRS or having CalSTRS invest in or with the party communication with the Board member; or (3) a simple expression by the Board member in relation to the performance of an investment or service provided to CalSTRS."</p> <p>CalPERS staff does not believe CalSTRS' exception adds anything to existing law. All of the examples are already excluded by the law since the communications do not relate to a prospective investment transaction or its evaluation.</p>	

	PROPOSED POLICY	CALSTRS ADOPTED POLICY	DISCLOSURE SCENARIOS
<p>COMMUNICATIONS BETWEEN BOARD MEMBERS AND FINANCIALLY INTERESTED PARTIES</p> <p>-- Investment Transactions That Are Not Approved By the Investment Committee</p>	<p><i>The law currently requires disclosure ONLY with respect to prospective investment transactions that are approved by the Investment Committee. The proposed policy would extend the disclosure requirements to communications respecting prospective investment transactions where authority to approve the transaction has been delegated to the CIO. The disclosure obligation is on the financially interested party only.</i></p> <p>CONVERSATIONS COVERED:</p> <ul style="list-style-type: none"> • Communications between a financially interested party and a board member • Concerning any matter relating to a prospective investment transaction or its evaluation, where approval of the investment transaction is within authority delegated to the CIO • During the evaluation of the prospective investment transaction. <p>DISCLOSURES REQUIRED:</p> <ul style="list-style-type: none"> • The financially interested party must disclose the content of the communication in a writing addressed and submitted to the General Counsel and the board within 10 calendar days of the communication. 	<p>Same as CalPERS proposed policy.</p>	<p>Investment Manager calls Board Member to discuss a transaction that is being considered by the CIO. The transaction appears on the monthly activity report, but because it is within the CIO's delegated authority and Board approval is not required, the transaction will not appear on the Investment Committee agenda for action.</p> <p><i>Board Member Disclosure?</i> No. The proposed policy <u>does not</u> change the disclosure requirement for Board members. Under the law, there is no requirement for Board members to disclose conversations about investment transactions where authority to approve the transaction has been delegated to the CIO.</p> <p><i>Financially Interested Party Disclosure?</i> YES. The proposed policy creates a new disclosure obligation on the part of financially interested parties. They must disclose communications with Board members about all prospective investment transactions, even those where authority to approve the transaction has been delegated to the CIO.</p>

	PROPOSED POLICY	CALSTRS ADOPTED POLICY	DISCLOSURE SCENARIOS
	<ul style="list-style-type: none"> There is NO disclosure requirement on the part of the board member. EXCEPTIONS: <ul style="list-style-type: none"> Communications that are part of a noticed board meeting Communications that are incidental, exclusively social, and do not involve the system or its business, or the board or staff member's role as a system official Communications that do not involve the system or its business and that are within the scope of the board member's or staff member's private business or public office wholly unrelated to the system. 		
COMMUNICATIONS BETWEEN BOARD MEMBERS AND CALPERS STAFF	CONVERSATIONS COVERED: <ul style="list-style-type: none"> Board member initiated communications with CalPERS staff or consultants Regarding a potential investment transaction (whether board approved or delegated to CIO) or the hiring, termination or funding of an investment money manager EXCEPTIONS: <ul style="list-style-type: none"> Board member requests for information 	CalSTRS policy is same as CalPERS proposed policy in all respects EXCEPT THAT: <ul style="list-style-type: none"> Only conversations where the Board member is advocating for a specified outcome are covered Report is made only to the General Counsel (not to the CIO or COIO) The General Counsel reports to the Board only those communications that the General Counsel concludes are material to the Board's deliberation 	Board member calls INVO staff to ask for information about an investment transaction that is on the Investment Committee's agenda for later in the month. <i>Disclose?</i> No, the Board member's inquiry is a simple request for information. <p style="text-align: center;">* * * * *</p> Board member calls INVO staff and tells staff that Mr. Smith, an investment money manager that CalPERS is considering hiring, has

	PROPOSED POLICY	CALSTRS ADOPTED POLICY	DISCLOSURE SCENARIOS
	DISCLOSURES REQUIRED: <ul style="list-style-type: none"> • NO disclosure requirement on part of Board members • Staff or consultant informs the CIO or COIO and the General Counsel • The CIO or COIO or the General Counsel reports all disclosed communications to the Board 		<p>a proven track record and has generated substantial investment returns for another public pension plan.</p> <p><i>Disclose?</i> Yes, the INVO staff member must report the substance of the communication to the CIO or COIO and the General Counsel.</p>
UNDUE INFLUENCE	<p>If any staff member or board member believes he or she has been subjected to the attempted exercise of undue influence, he or she should report the occurrence to the CIO or COIO and the General Counsel. The General Counsel will investigate the situation immediately and if he or she concludes that an exercise of undue influence was attempted, will take whatever action deemed to be appropriate, including notifying the Board, and thereafter, public disclosure during an open session meeting of the Board.</p>	<p>Same as CalPERS proposed policy.</p>	

DISCLOSURE OF COMMUNICATIONS

PROPOSED POLICY

Vendor Contracts

	PROPOSED POLICY	CALSTRS ADOPTED POLICY	DISCLOSURE SCENARIOS
COMMUNICATIONS BETWEEN BOARD MEMBERS AND CALPERS STAFF	<p>CONVERSATIONS COVERED:</p> <ul style="list-style-type: none"> • Board member initiated communications with CalPERS staff or consultants • Regarding a prospective vendor contract <p>EXCEPTIONS:</p> <ul style="list-style-type: none"> • Board member requests for information <p>DISCLOSURES REQUIRED:</p> <ul style="list-style-type: none"> • NO disclosure requirement on part of Board members • Staff or consultant informs the CEO and the General Counsel • The CEO or General Counsel reports all disclosed communications to the Board 	CalSTRS does not have a policy requiring disclosure of communications between board members and staff relating to vendor contracts.	<p>Board member calls Health Benefits Branch staff to ask for information about an RFP that CalPERS plans to let for a Single Third Party Administrator. The Board member would like to know the timeline for the RFP and submissions of proposals.</p> <p><i>Disclose?</i> No, the Board member's inquiry is a simple request for information.</p> <p style="text-align: center;">* * * * *</p> <p>Board member calls IT staff and tells staff that he knows another state agency had a bad experience with one of the vendors CalPERS is considering hiring for a big computer systems contract.</p> <p><i>Disclose?</i> Yes, the IT staff member must report the substance of the communication to the CEO and the General Counsel.</p>
UNDUE INFLUENCE	If any staff member or board member believes he or she has been subjected to the attempted exercise of undue influence, he or	Same as CalPERS proposed policy.	

	PROPOSED POLICY	CALSTRS ADOPTED POLICY	DISCLOSURE SCENARIOS
	<p>she should report the occurrence to the CEO and the General Counsel. The General Counsel will investigate the situation immediately and if he or she concludes that an exercise of undue influence was attempted, will take whatever action deemed to be appropriate, including notifying the Board, and thereafter, public disclosure during an open session meeting of the Board.</p>		